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SOURCE Ching-chi Chou-pao (The Economic Weekly), Vol XIII, No 10, 1951.

CHINA'S 1951 FOREIGN TRADE DEFICIT

Comment: The following report summarizes an article entitled, "Discussion of the Present Problems of Deficit in Foreign Trade," by Li Shou-ch'i published in the Ching-chi Chou-pao (The Economic Weekly) on 6 September 1951. The article reports reasons for trade deficits and the policies which were put into effect to maintain balance of trade in China.

A. General

According to the records of China's Customs Office, the trade deficit in China began in 1877 and lasted until 1949. In 1950, however, of the total foreign trade of China imports were 47.77 percent and exports were 52.23 percent. The reasons for this favorable balance of trade during 1950 are as follows:

1. China became an independent nation.
2. China traded with the USSR and satellite nations instead of with the capitalistic countries.
3. There were new and greater developments of agriculture and industry in China.
4. The government revised the foreign trade regulations.

B. Trade Deficits

Several difficulties arose during 1951 in foreign trade, which resulted in trade deficits. Large ports, such as Tientsin, Tsingtao, Shanghai, Wuhan, and Canton imported more goods from capitalistic countries in 1951. Furthermore, bank loans to importers reached a sizable amount, and importers had to pay higher rates of interest to the banks for loans.

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The following are the reasons for unfavorable balance of trade in 1951:

1. In recording barter agreements, the government usually recorded imports first. According to the regulations, barter transactions may be completed within 4 months; and, as a result, exports were recorded later. Thus, deficits in trade were shown on the books.
2. During 1951, profits on imported goods were greater, especially goods such as industrial equipment and materials. According to statistics, profits on imported goods averaged 16.6 percent of the selling price for June 1950 and 24.2 percent for July 1950, whereas profits on exports averaged 5.9 percent of the selling price for July 1950. The businessmen were eager to import goods and consequently borrowed heavily from banks to purchase these goods.
3. Essential goods purchased from imperialistic countries were high-price goods.
4. China's exports to imperialistic countries declined in 1951.

C. Policies to Maintain Balance in Foreign Trade

The 1951 policies which were put into effect to maintain balance in foreign trade included: (1) promoting the export of "unpopular" items and increasing the production of popular items, (2) encouraging importers to purchase goods with cash, (3) purchasing only high-quality goods from foreign countries, and (4) encouraging the import of strategic materials.

The government also planned to encourage overseas Chinese investment in China's industries and businesses. It was decided to import only strategic materials from capitalistic countries and export "unpopular" goods to these countries.

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